
QUARTERLY PROGRESS REPORT

U.S. Montenegro Partnership for Municipal Development

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**USAID Cognizant
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I. INTRODUCTION

Goals/objectives:

The International City/County Management Association (ICMA) established the *US – Montenegro Partnership for Municipal Development* in November 1999, initially under a one-year grant from the U.S. Agency for International Development (USAID). Phase I activities were designed to assist local governments in responding more effectively and efficiently to increased demands on municipal services due to the influx of internally displaced persons from the Kosovo conflict. The ICMA grant, which expanded and was extended until December 2002, now serves as the technical and operational hub for USAID assistance to the local government sector in Montenegro.

During Phase II, ICMA offers an integrated package of training and technical interventions designed to:

- A. Develop and promulgate a new legal framework for fiscal and democratic decentralization and devolution of authority and resources
- B. Improve municipal financial management skills and practices
- C. Develop a local government in-service training delivery system to insure sustainable implementation of enacted reforms
- D. Increase citizen involvement and collaboration in the local government reform process and community affairs

Counterparts:

Principal counterparts include: (1) the municipalities of Tivat, Kotor, Ulcinj, Cetinje, Niksic, Pljevlja and Berane; (2) Ministries of Justice, Finance, Urban Development and other Republic agencies including Departments of Revenue, Public Works, and Real Estate, (3) the Union of Municipalities of Montenegro and (4) the Montenegro Association of Trainers for Local Government and Public Administration.

II. ACCOMPLISHMENTS:

(A) Building And Implementing A Legal Framework For Fiscal And Democratic Decentralization And Devolution Of Authority And Resources

ACTIVITIES:

Legislative Development:

ICMA submitted finalized local government draft laws to the respective ministries and intensified advocacy efforts in meetings with members of government to build consensus and support for the package of laws.

Law on Direct Election of Mayors & Law On Local Self-Government

- ICMA surveyed 4 municipalities and conducted an analysis of the increase of authority and responsibilities under the draft law. This analysis was presented to MoJ, MoF and the Deputy Prime Minister to illustrate the link between the Local Self-Government Law and the Law on Financing Local Self-Government.
- A law on the direct election of mayors was drafted and forwarded to parliament with the Law on Local Self-Government, by the Ministry of Justice. Due to political circumstances beyond ICMA's control, parliamentary debate on these laws was postponed until June 2002, in order to proceed with local elections scheduled May 2002, under the current electoral system. (*See Challenges and Issues.*)

Law On Financing Local Government

- During the 1st quarter, ICMA provided technical assistance to the GoM in the drafting of an EU compliant law. Numerous fiscal impact analyses of law were prepared in order to estimate the impact of the new law on the budgets of the Republic and local governments.
 - ICMA recommended specific revisions to the existing draft in order to provide an appropriate revenue incentive mechanism, improved conditionality for various grant mechanisms, greater discretionary authority to local governments to set rates and fees for their revenues, and better regulation of local government budgeting, debt, and treasury management.
- After submitting the draft law on local government finance ICMA has sponsored several meetings and provided briefings on fiscal impact scenarios. ICMA looks forward to the anticipated passage of the bill into law.

OUTPUTS:

- Analysis of increased authorities and surveys from 4 municipalities.
- Fiscal impact analyses and presentation materials.

RESULTS AND IMPACTS:

- Increased understanding and familiarity in MoJ, MoF, and UoM with local government laws.

<p>(B) Improve Municipal Financial Management Skills And Practices</p>

ACTIVITIES:

Municipal Budgeting & Financial Management:

- Drafted and disseminated a catalog for a series of workshops that will enable local governments to implement the draft *Law on Financing Local Self Government*, as well as the *General Law on Budget*, and the *Public Procurement Law*.
 - Topics that will be covered at the workshops include budgeting, CIP, revenue forecasting and maximization, procurement, and the use of computers in finance.
- ICMA undertook several activities to develop new software products and to improve existing software products. Specifications were developed for Municipal Financial Analysis Tool (MFAT). This Excel software tool is expected to be used by municipalities and the Local Government Finance Commission for multiyear revenue and expenditure forecasting (including real state revenue forecasting), generation of inter-municipal financial benchmarks, and for calculation of Equalization and Fiscal incentive grants to be distributed to municipalities under the emerging *Law on Local Self-Government Finance*.
 - MFAT will be made available to all municipalities in late June.
- ICMA completed and implemented the Municipal Budget Software (MBS- Version 1) during the first quarter. The municipalities of Niksic, Pljevlja, Kotor, Tivat, and Ulcinj have used MBS1 to develop their 2002 budgets in compliance with the *General Budget Law*, as well as with international standards for budget preparation, execution, and classification of revenue and expenditures. In addition, MBS provides financial and programmatic information that is more accessible to decision-makers and citizens.
 - MBS has been retrofitted so that its budget execution functions are consistent with existing procedures. The second release of MBS, scheduled for September 2002, will incorporate the Republic's new budget realization procedures. Municipalities will be required to use these procedures beginning in 2003.
- A two-day workshop was conducted on the final MBS version during which six municipalities participated.

OUTPUTS:

- Catalog of training workshops produced.
- Developed specifications for Municipal Financial Analysis Tool (MFAT).
- MBS1 software package produced and disseminated to seven municipalities.

- MBS training workshop for six municipalities.

IMPACTS:

- The five local governments that are now using MBS1 have developed budget structures based upon the Republic's new functional and economic classification system. Their new structures separate the operating and capital components of the budget, include budgets of municipal entities that have formerly been off budget, and provide more comprehensive information in regards to personnel requirements.
- Five municipalities whose 2002 budget structures are consistent with international standards and the *General Law on Budget*.

MBS Screen for entry of capital budget requests

Investicioni

Naziv projekta: Kod Projekta: I

Rezido: Funkcionalni Kod: F

Budzet

Vrsta	Suma
Opštinski budzet	0
Donacija	0
Republičke subvencije	0
Kredit	0
Ukupno:	0

Datum pocetka: 07/08/2001
Datum kraja: 07/09/2001

Opis Projekta:

Opranost projekta:

Beneficije projekta i rezultati:

Uboaj na zivotnu sredinu:

Capital Budgeting and Capital Improvement Planning (CIP)

Seven demonstration municipalities are being fully trained to be able to implement multi-year financial analyses and capital improvement plans (CIPs), enabling these municipalities to serve

as centers of excellence and a source of best practices for other less-trained municipalities in Montenegro.

- ICMA undertook to improve OSIP, the capital improvement planning software tool that is now being used by seven Montenegrin municipalities. ICMA conducted a meeting of officials from municipalities that utilize OSIP in order to solicit their ideas for improving the software tool. Among the enhancements to be included in the second release of OSIP are incorporation of the Republic's new classification system into the tool and inclusion of a utility for tracking the condition of a municipality's infrastructure.
- ICMA hired software support specialists to assist municipalities with application of ICMA's automated financial management tools.

OUTPUTS:

- Documentation on requested software improvements
- Signed service agreements for technical support specialists
- Specifications for enhancement of OSIP.

OSIP Screen for Entry of multi-year financial analysis

Novčani obrt					OK	Odustani	Grafikon	Štampaj	Izvezi
Pojedinosti	1999 [1000 DH]	2000 [1000 DH]	2001 [1000 DH]	2002 [1000 DH]					
Godišnji operativni višak	0	0	0	0					
Saldo na početku godine	0	0	0	0					
Investicioni sredstva	0	0	0	0					
Spoljašni izvori finansiranja (bez kredita)	0	0	0	0					
Prihod od eksploatacije investicija	0	0	0	0					
Troškovi eksploatacije investicija	0	0	0	0					
Saldo ispred upotrebe kredita	0	0	0	0					
Kredit, zajmovi, obaveze	0	0	0	0					
Zaduženje	0	0	0	0					
- rate	0	0	0	0					
- provizije	0	0	0	0					
- kamata	0	0	0	0					
Saldo	0	0	0	0					

RESULTS AND IMPACTS:

- Improved functionality of OSIP software tailored to meet the needs of its users.

Real Estate Tax Implementation

During the first quarter of 2002, ICMA began implementation of Montenegro's new real estate tax. Activities included:

- After receiving approval on sole source justification from USAID RTO, ICMA Montenegro negotiated and concluded a contract with the partnership of Almy, Gloudemanns, Jacobs and Denne LLP to provide technical assistance and training services for implementation of the real estate tax.
- Organized and conducted the first meeting of the Real Estate Implementation Group, comprised of officials from the Department of Public Revenues, Department of Real Estate, Ministry of Finance, Union of Montenegrin Municipalities, and representatives from the four pilot municipalities, which approved ICMA's strategic and operational plan for implementing the real estate tax throughout 2002.
- Selected and concluded agreements with the municipalities of Niksic, Plav, Pljevlja, and Kotor to work with ICMA as pilot real estate municipalities.
- Conducted Mass Appraisal and Computer Literacy workshops for pilot municipalities. These workshops are the first two in a series of six real estate pilot workshops.
- Developed final specifications for an automated real estate tax system (RETS) and selected a software developer firm to begin work on the system. RETS will consist of two interrelated modules, a Real Estate Module and a Tax Assessment and Billing Module.
- Drafted preliminary model municipal real estate ordinance for implementation of the real estate tax.
- Drafted preliminary valuation methodology.
- Conducted meeting of real estate brokers in order to enlist their support for developing sources of property sales transactions data.
- Hired taxpayer education consultants and initiated the real estate taxpayer education campaign.

OUTPUTS:

- Preliminary valuation methodology
- Real estate tax implementation plan
- Model municipal real estate tax ordinance
- Training material for Mass Appraisal workshop
- Real estate tax software specification

RESULTS AND IMPACTS:

- Pilot municipalities and Republic-level counterparts mobilized to begin rapid implementation of Real Estate Tax Law.

(C) Development Of Local Government In-Service Training Delivery System

ACTIVITIES:

Training of Trainers (ToT)

TOT is designed to advance municipal management and governance by establishing and training a core group of local government professionals with requisite skills and experience necessary to address the functional training needs of municipal counterparts.

- The final module of Training of Lead Trainers Program, ToT IV, Part 2 was conducted from February 21 to March 4, 2002. The overall objective of TOT IV was to enhance training capacity of Lead Trainers by providing them the opportunity to implement, in a real environment, the knowledge and skills acquired during a two-year training program. TOT IV, included two components: *preparation*, carried out in December 2001, and *implementation*, which involved a final planning session and a series of two-day training workshops for local government staff in six Montenegrin municipalities and evaluation meeting, carried out in February-March 2002.
- A letter inviting municipalities to host the workshop "*Local Government as a Partner to Citizens*" was sent to all 21 municipalities in Montenegro, with a note that the criterion for selection was "first come, first served". Immediate response came from the municipalities of: Zabljak, Niksic, Tivat, Bijelo Polje, Pljevlja and Plav. Applications from municipalities of Budva, Kotor and Podgorica came later. The possibility to deliver training in these municipalities within the next year is under consideration.
 - From 22 to 24 February, four training teams worked in ICMA offices on the finalization of their training programs, including development of training materials. Training consultants Lubica Mandicova and Danusa Belakova provided consultations and guidance to each team.
- Two-day training workshops were delivered from February 25 to March 2, 2002 in six Montenegrin municipalities: Zabljak, Niksic, Tivat, Bijelo Polje, Pljevlja and Plav. Although the workshop was marketed under one title "*Local Government in Partnership with Citizens*", it included two different programs: *Transparency and Openness in Local Government* and *Citizen Participation in Decision-Making of Local Government*. Training objectives of both programs focused on increasing knowledge and the development of behavioral skills of trainees, and the overall aim was to initiate a change of attitude of local government staff in relation to citizens. Each training team was supervised and coached by one of the training consultants. Training was attended by 84 participants - local government staff and heads of departments. For the majority of participants, this kind of training, based on experiential learning and active involvement of trainees, was a new experience. Their acceptance of modern training methods was important for further involvement of training as a tool for local government development.

EXCERPTS FROM EVALUATIONS RECEIVED FROM PARTICIPANTS:

- *Have this kind of workshop organized more often on different topics, and with wider participation.*
- *Obligatory training for municipal leadership, since they are the ones who oppose any kind of positive change the most.*
- *A positive aspect of this workshop is teamwork, and stimulation of teamwork, which is not the case in our environment.*
- *Involve more people from local government in larger projects organized in other municipalities.*

- A debriefing was held in Podgorica March 4. Lead Trainers shared their experiences from the delivered workshops and identified the following topics for further professional development: advanced training in facilitation skills, conflict management, management of multiethnic environment, change management, team building, public speaking, management skills, research of public opinion, completion of Elected, Leadership Training series, and project writing.

OUTPUTS:

- Workshop Reports prepared by Lead Trainers
- List of participants from all six municipalities
- Training Consultants' ToT IV Part II Report
- Training Materials for two different Training Designs on Local Government in partnership with citizens
- Workshop Evaluations
- Digital Camera Records from Zabljak, Bijelo Polje, and Pljevlja Workshops
- Photos from three of the workshops
- Press release, Invitations, Press Coverage
- Trainers Certificates in English language

IMPACTS:

- Developed a cadre of trainers able to design and deliver training to suit the necessary change and development processes of local government, and therefore achieved the primary aim of TOT Program. Lead Trainers demonstrated good understanding of adult learning principles, and skills in designing practical learning activities, facilitation of group processes, planning and managing safe learning environment. With current knowledge and skill base, LTs are competent to act as trainers for the needs of local government reform.
- Created an interest and a need for local government training based on participatory learning as evident from the responses of workshop participants.
- Formed a network of trainers able to maximize the value of other bilateral and multilateral assistance, as well as to make best use of available Montenegrin resources.
- Promoted a modern approach to professional and personal development of human resources.
- Initiated a change of attitude towards the local government role in the community.

(D) Increase Citizen Involvement And Collaboration In The Local Government Reform Process And Community Affairs
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Citizen Participation Project Design:

A comprehensive citizen participation component has been designed to build awareness among our partners of the advantage and necessity of creating 2-way communication between government and its citizens and to build capacity and provide training for government officials to sustain an open and transparent system of government, which allows, encourages and empowers citizens to participate in decision-making at the local level. While serving to complement and reinforce existing activities, this citizen participation component will enrich democratic development of citizens and government officials and ultimately facilitate sustainable implementation of policy reforms.

ACTIVITIES:

Citizen Participation in Municipal Budgeting Process

In order to help municipalities prepare for the implementation of the Laws on local self-government, ICMA designed a project on municipal public budget hearings. It combined technical and material assistance, and was awarded on a competitive basis. Five municipalities were selected: Pljevlja, Niksic, Kotor, Tivat and Ulcinj. ICMA recruited 3 local NGO activists to be trained and work as Citizen Participation Consultants. They providing technical assistance to their assigned municipality and served as ICMA's citizen participation representative for the project. The objective of Consultants' work was to maximize citizen involvement in the municipality's 2002 budget-making process so that there will be a demonstrable impact on resource allocation decisions made by the Municipal Assembly.

- Tivat held a 3-hour public budget hearing, and broadcast it live on local radio.
- Ulcinj conducted 2 hearings in outlying villages (Stoj and Vladimir) and a public hearing in the center of town, which was broadcast live on local radio.
- Niksic's assembly adopted the budget at the end of March.



Radio Broadcast in Ulcinj

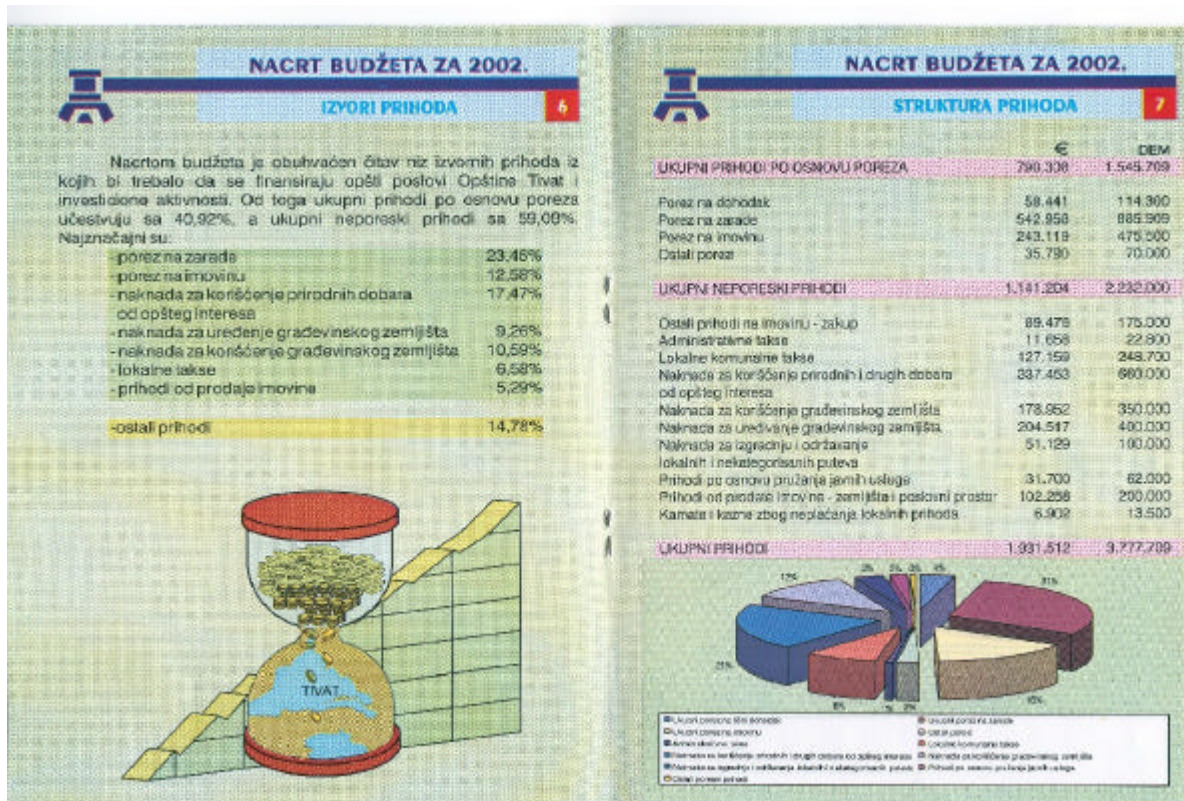
A summary of activities associated with the public outreach campaigns in each municipality is as follows:

- ❖ Budgets in Briefs – published and distributed in the municipalities
 - Tivat – 1,500 copies
 - Ulcinj 5,000 bilingual (Serbian and Albanian) copies.
- ❖ Roundtables held on citizen involvement in the budget; participants included mayors, finance secretaries, republic-level officials, municipal officials, municipal budget users, and community and NGO leaders.
 - 3 held in Tivat
 - 1 held in Ulcinj
 - 1 held in Niksic
 - Inter-municipal roundtable entitled “The Municipal Budget And The Citizen” held in Niksic with a live broadcast on television. Participants included secretaries of finance from Niksic, Podgorica, Bar, Tivat, Kotor, Berane and Pljevlja.
- ❖ Citizens interviewed on the street and interviews broadcast as a series of television spots in Niksic and Tivat (4 media polls conducted).
- ❖ Radio shows broadcast on municipal budgets, the importance of citizen participation, and the roles and responsibilities of both citizens and municipal officials in the process
 - Tivat produced 11 radio shows (7 direct broadcastings of interviews with the mayor, deputy mayor, secretary of finance, local members of parliament, municipal leaders and NGO representatives.) Parliamentary debate on the budget was also broadcast live on the local radio.
 - Ulcinj produced 11 radio shows (5 radio shows in Serbian language, 5 in Albanian language and the direct broadcasting of the central hearing). Deputy Minister of Justice Djordje Blazic was a guest on one of these shows. Other guests included Ulcinj’s mayor, deputy mayor and secretary of finance.
 - Niksic produced 3 radio shows.
- ❖ Informational and educational sessions hosted by the municipalities for NGO and community leaders, public entities, budget end-users, local members of parliament, and municipal associations conducted. Many of these were broadcast on local radio stations.
- ❖ Television shows on municipal budgets broadcast on state, local and regional TV stations
 - Tivat (7 shows broadcast on Sky Sat TV)
 - Niksic 3 shows on municipal budget broadcast, one featured Deputy Minister of Finance Koviljka Mihailovic and Milan Dabovic
- ❖ Live webcast on municipal budget held in Tivat
- ❖ Radio jingles announcing budget hearings

- Tivat produced two jingles - first for 26 days, 6 times a day and second for 15 days, 6 times a day
- Ulcinj produced 2 different jingles, the first was broadcast 15 days, 6 times a day and the second 15 days, 6 times a day.
- ❖ Television ads (telops) broadcast in advance of budget hearings
- ❖ Press releases on campaign activities
 - 7 articles published in republic-wide newspapers about the budget hearing process in Tivat, 4 about Ulcinj and 6 about Niksic.
- ❖ Posters printed and distributed
 - 80 displayed in Tivat
 - 50 displayed in Ulcinj.
- ❖ Budget in Brief hosted on website in the municipalities of Tivat and Ulcinj.
- ❖ All three municipalities had a call-in telephone line during the radio broadcast of the public discussions, which was patched directly into the discussion.
- ❖ Weekly column in Niksic newspaper on budget issues, including a glossary of terms.
- ❖ Suggestion boxes and questionnaires placed in municipal buildings, post offices, banks, ZOP and the citizens' bureau in Niksic, and Tivat.
- ❖ Questionnaires printed and distributed in Niksic's Citizen's Bureau and mailed directly to citizens.

OUTPUTS:

- Budgets in Brief
- English translations of Budgets in Briefs for the municipalities of Pljevlja, Kotor, Tivat and Ulcinj.
- Weekly Reports submitted by consultants; Progress reports on each of the municipalities regularly updated by program coordinator.
- Cassette tapes of recorded radio shows and radio jingles.
- Video tapes of the recorded TV shows
- Press releases and media clips of news coverage – 7 articles published in republic-wide newspapers about the budget hearing process in Tivat, 4 about Ulcinj and 6 about Niksic.
- Posters printed and distributed – 80 in Tivat, in 50 Ulcinj.
- Invitations to international and local NGOs to participate in the education campaign and to attend the hearings.
- Copies of Questionnaires



RESULTS AND IMPACTS:

- Raised general awareness of the benefits of local government reform as it relates to transparency and citizen involvement in public finances and increased citizens' practical knowledge about municipal revenues and expenditures, the budgeting process and municipal capital improvement plans.
- Raised awareness of the importance and the positive impact of transparency, good public information, effective dissemination and feedback mechanisms, strategic planning, action planning, good timing and media relation facilitation skills among municipal officials.
- Provided incentives and increased motivation for some local NGOs and citizens to be more actively involved in decision-making process. Raised awareness among the municipality officials about the necessity and benefits derived from cooperation with the third sector. Established a precedence NGO-municipal cooperation and continued communication.
- Fostered regional collaboration and strengthened inter-municipal contacts.
- Open budget hearings, supported by an education campaign on how local budgets can be used by citizens to prioritize the needs of a community and have direct input into investment projects and policy decisions coupled with an information campaign that provides transparent and easy-to-understand financial data, is an essential milestone in demonstrating progress in the areas of decentralization, transparency, anti-corruption measures and democratic reform.

Citizen Participation in Real Estate Tax Reform

ICMA has initiated a republic-wide taxpayer education campaign to facilitate the implementation of the Law on Real Estate Tax. Additionally, ICMA is working with its 4 pilot municipalities to conduct local taxpayer education campaigns and enhance their capacity to foster compliance with the law and increase their potential for increasing tax revenues. The project includes both technical and material assistance, and will eventually be rolled out to all 21 municipalities.

- ICMA contracted with two Citizen Participation Consultants previously assigned to the public budget hearing project to assist the pilot municipalities and serve as ICMA's citizen participation representatives for the project.
 - A one-day orientation and planning session was held with the consultants, followed by strategic planning sessions to finalize the development of municipal action plans.
- Overview of project and taxpayer education component presented to pilot municipalities at the February 8th meeting of the Real Estate Implementation Group.

OUTPUTS:

- Presentation on Citizen Participation and taxpayer education campaigns
- Consultants' weekly progress reports and trip reports from field visits.
- Press releases and newspaper clippings from media coverage including a one-page description of the project in a widely disseminated local NGO Bulletin.

IMPACTS:

- Official kick-off to pilot projects completed and commitment to citizen outreach and education activities affirmed by counterparts.

<h3>E. Other Activities</h3>

Information Technology Report

- ICMA has conducted an extensive survey of the information technology capabilities of local governments and drafted a report on IT needs at the municipal level. *See Challenges and Issues.*

III. CHALLENGES AND ISSUES

Passage of Key Local Government Laws

The Ministry of Justice submitted to Parliament a corollary law to the Law on Local Self-Government In February on the Direct Election of Mayors. This process was highly criticized by the opposition for not submitting to a 15-day public discussion period in advance of the President of Montenegro's constitutional deadline for calling local elections. Parliament

subsequently voted to postpone discussion of both of these laws until after May 2002 local elections.

The Law on Financing Local Self-Government was delayed in the Ministry of Finance and has yet to be submitted to Government.

ICMA is working with its counterparts in the MoJ, MoF and UoM to enlist the municipalities to intensify advocacy efforts. ICMA will directly address some of the concerns that the Deputy Minister of Finance has with important principles that ICMA insists must be preserved in the law. Meetings are scheduled with key stakeholders to resolve some of these issues and expedite the MoF review period.

Implementation of Municipal Treasury Systems

The *General Law on Budget*, enacted in August 2001, mandates that local governments establish new treasury ledger systems. Local governments must comply with the law within 18 months of its enactment, or no later than February 2003. Earlier compliance may occur if either mandated by the Ministry of Finance or if dictated by the timetable for the closure of the payments bureau (ZOP). The latter will determine when local governments will need to adopt new cash receipting and cash disbursement mechanisms. The draft *Law on Local Self-Government* mandates that municipalities implement additional treasury related functions, including development of investment policy statements and the establishment of treasurer positions.

ICMA has neither the mandate nor sufficient resources to undertake a comprehensive treasury implementation program for all 21 municipalities. Nevertheless, a credible strategy is needed in order to provide at least a minimal level of technical assistance that will enable municipalities to comply with new legal mandates. ICMA will conduct several treasury related workshops in the second half of the year and will develop the budget software so that it is compliant with the Republic's new budget execution procedures. While not a comprehensive program, this minimal level of effort will enable some municipalities to implement components of new treasury systems.

Information Technology Capacity Impediment to Implementation

As a key component of ICMA's work with municipalities to improve municipal financial management skills and practices, ICMA is developing (or has developed) software packages that will meet the growing needs of municipalities and facilitate their ability to implement the Laws on Financing Local Self-Government, Real Estate Tax, and Republic Budget.

In order to implement these laws, municipalities are required to do the following:

- Develop budgets in compliance with international classification systems by using new organizational, economic and functional classification and present each organizational unit's activities, objectives and outputs
- To have separate capital budget component which presents infrastructure projects in a clear and understandable format and to include budget revenue and expenditures of currently extra-budgetary entities

- To produce easy-to-understand budget summaries (budget-in-briefs) by using graphs and charts to convey financial and programmatic information in a way that is accessible to the average citizen
- To be able to produce financial reports to the Ministry of Finance in accordance with the Treasury Directions and the Budget Law
- To be able to provide a registry of all real estate within the municipality, including location, classification, valuation, tax status and characteristics
- To be able to calculate and print real estate tax bills, as well as track taxpayer payments
- To be able to make long-term investment plans
- To be able to receive and disburse public monies through the banking system
- To operate consolidated treasury systems and to operate general ledger accounting systems
- To be able to comply with best cash management and investment practices

In order to identify basic and urgent information technology needs in all 21 municipalities, ICMA has completed an extensive survey of information technology capabilities at the local level and compiled a full report on municipal needs in this area.

It has been determined that technological infrastructure, human resources, and basic computer skills are woefully inadequate in nearly all municipalities. This presents a significant impediment to the municipalities' capacity to fully implement the laws and to improve their skills and practices.

KEY FINDINGS

1. Data shows that 21 municipalities own 267 computers in total and the total number of employees is 1,888. On average, 16.8 employees share one computer.
2. Computers within municipalities are antiquated and 82.7% of them are not connected to the Internet.
3. Out of 1,888 total employees, 452 have basic computer skills – that is 23.9 % of the total number of employees.

ICMA is limited by budgetary constraints to adequately address this situation across the republic, but the following actions will be taken to ameliorate the situation within our programmatic scope:

- Disseminate the final *Information Technology Report* to potential donors and leverage ICMA partnerships with U.S.-based firms interested in donating computer hardware.
- Incorporate basic computer skills courses into the training program, and provide software manuals to participants.
- Hire technical consultants to provide on-site technical assistance, help with software installations and provide on-call technical support to ICMA-developed software end-users.
- Purchase minimal computer hardware for use in 2 partner municipalities' finance departments.

- Submit a proposal for OTI to purchase computer hardware to meet the urgent needs of newly established municipal property tax departments.

Key Personnel Change

ICMA's Chief of Party, Jamie Factor, resigned January 1, 2002. ICMA proposed deputy COP, Kristine Powers to serve as her replacement.

IV. MAJOR ACTIVITIES PLANNED FOR THE NEXT QUARTER

(A) Building And Implementing A Legal Framework For Fiscal And Democratic Decentralization And Devolution Of Authority And Resources

- Intensify advocacy efforts to address some of the concerns that the Deputy Minister of Finance has with important principles that ICMA insists must be preserved in the law. Briefings are scheduled with key stakeholders to resolve some of these issues and expedite the MoF review period.

(B) Improve Municipal Financial Management Skills And Practices

Municipal Budgeting

During the second quarter, ICMA will focus on workshops and technical assistance that enable municipalities to implement the Republic's new legislative framework and development of software tools for local government financial management. Planned activities include:

- Conduct 10 integrated workshops that will enable municipalities to improve financial management systems and conform to emerging legal requirements. Workshops that will be conducted are as follows:
 - Procurement (4 workshops)
 - Capital Improvement Planning and automated tools for CIP (2)
 - Budget Structure and Classification (1)
 - Use of Computers in Municipal Finance (2)
 - Revenue Expenditure and Forecasting (1)
- Complete development of the Municipal Financial Analysis Tool (MFAT) and enhancement of the existing Capital Improvement Planning tool (OSIP).

Real Estate Tax

During the second quarter, ICMA will focus on training workshops for pilot municipalities, development of the valuation methodology, real estate tax software development, and implementation of a taxpayer education campaign. Planned activities include:

Conduct of four real estate tax workshops for pilot municipalities, including Tax Administration, Market Monitoring and Sales, Valuation Methodology, and Real Estate Tax Software

- Negotiation of agreements with several real estate brokers in order to obtain property sales data for the purposes of building the valuation methodology.
- Completion of the beta 1 and 2 versions of the real estate tax software,
- Conduct of two meetings of the Real Estate Tax Implementation Group.
- Planning for the first national conference to be held in early July.

(C) Development Of Local Government In-Service Training Delivery System

- Selection of trainers to participate in an intensive training seminar on the procurement law to begin municipal training on the law.

(D) Increase Citizen Involvement And Collaboration In The Local Government Reform Process And Community Affairs

Citizen Participation in Budget Hearing Process– Pilot projects:

- Monitor the process in the municipality of Niksic; provide additional technical assistance.
- Sum up workshop with lessons learned and best practices from the experience with the pilot municipalities.
- Final report / case studies / manual on Citizen Participation in Budget Hearing Process.

Citizen Participation in Real Estate Property Tax – Pilot projects:

- Finalize municipal action plan; Monitor and facilitate citizen participation and education campaigns in pilot municipalities.
- Design and begin implementation of a republic-wide taxpayer education campaign.